

AMENDED IN ASSEMBLY APRIL 11, 2011

CALIFORNIA LEGISLATURE—2011–12 REGULAR SESSION

ASSEMBLY BILL

No. 589

Introduced by Assembly Member Perea

February 16, 2011

An act to amend Section 128555 of the Health and Safety Code, An act to amend Section 1341.45 of, and to add Article 6 (commencing with Section 128560) to Chapter 5 of Part 3 of Division 107 of the Health and Safety Code, relating to health professions.

LEGISLATIVE COUNSEL'S DIGEST

AB 589, as amended, Perea. ~~Physicians and surgeons: loan repayment. Medical school scholarships.~~

Existing law establishes the Medically Underserved Account for Physicians within the Health Professions Education Fund that is managed by the Health Professions Education Foundation and the Office of Statewide Health Planning and Development. Under existing law, the primary purpose of the account is to fund the Steven M. Thompson Physician Corps Loan Repayment Program, which provides for the repayment of prescribed educational loans, not to exceed \$105,000, obtained by a physician and surgeon who practices in a medically underserved area of the state. ~~Under existing law, specified funds placed in the account for those purposes are continuously appropriated for the repayment of loans and may be used for any other authorized purpose.~~

~~This bill would instead provide for an unspecified amount of loan repayment.~~

Existing law provides for the licensing and regulation of health care service plans by the Department of Managed Health Care and imposes certain requirements on health care service plans. Existing law imposes

various fines and administrative penalties for certain violations of these provisions that are deposited in the Managed Care Administrative Fines and Penalties Fund. Existing law requires the first \$1,000,000 in the fund to be transferred each year to the Medically Underserved Account for Physicians for the purposes of the Steven M. Thompson Physician Corps Loan Repayment Program. Existing law requires all remaining funds to be transferred each year to the Major Risk Medical Insurance Fund for purposes of the Major Risk Medical Insurance Program.

This bill would establish within the Health Professions Education Foundation the Steven M. Thompson Medical School Scholarship Program (STMSSP) managed by the foundation and the Office of Statewide Health Planning and Development to promote the education of medical doctors and doctors of osteopathy, as specified. This bill would provide up to \$105,000 in scholarships to selected participants who agree in writing prior to entering an accredited medical or osteopathic school to serve in an eligible setting.

This bill would establish the Steven M. Thompson Medical School Scholarship Account within the Health Professions Education Fund to fund the STMSSP. This bill, beginning January 1, 2014, would require all remaining funds after the first \$1,000,000 to be transferred each year from the Managed Care Administrative Fines and Penalties Fund to the account, for purposes of the STMSSP, upon appropriation by the Legislature.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. Section 1341.45 of the Health and Safety Code
- 2 is amended to read:
- 3 1341.45. (a) There is hereby created in the State Treasury the
- 4 Managed Care Administrative Fines and Penalties Fund.
- 5 (b) The fines and administrative penalties collected pursuant to
- 6 this chapter, on and after the operative date of this section, shall
- 7 be deposited into the Managed Care Administrative Fines and
- 8 Penalties Fund.
- 9 (c) The fines and administrative penalties deposited into the
- 10 Managed Care Administrative Fines and Penalties Fund shall be
- 11 transferred by the department, beginning September 1, 2009, and
- 12 annually thereafter, as follows:

(1) The first one million dollars (\$1,000,000) shall be transferred to the Medically Underserved Account for Physicians within the Health Professions Education Fund and shall, upon appropriation by the Legislature, be used for the purposes of the Steven M. Thompson Physician Corps Loan Repayment Program, as specified in Article 5 (commencing with Section 128550) or Chapter 5 of Part 3 of Division 107 and, notwithstanding Section 128555, shall not be used to provide funding for the Physician Volunteer Program.

(2) ~~Any~~ (A) Prior to January 1, 2014, any amount over the first one million dollars (\$1,000,000), including accrued interest, in the fund shall be transferred to the Major Risk Medical Insurance Fund created pursuant to Section 12739 of the Insurance Code and shall, upon appropriation by the Legislature, be used for the Major Risk Medical Insurance Program for the purposes specified in Section 12739.1 of the Insurance Code.

(B) Beginning January 1, 2014, any amount over the first one million dollars (\$1,000,000), including accrued interest, in the fund shall be transferred to the Steven M. Thompson Medical School Scholarship Account within the Health Professions Education Fund, created pursuant to Section 128580, and shall, upon appropriation by the Legislature, be used by the Office of Statewide Health Planning and Development for the Steven M. Thompson Medical School Scholarship Program for the purposes specified in Article 6 (commencing with Section 128560) of Chapter 5 of Part 3 of Division 107.

(d) Notwithstanding subdivision (b) of Section 1356 and Section 1356.1, the fines and administrative penalties authorized pursuant to this chapter shall not be used to reduce the assessments imposed on health care service plans pursuant to Section 1356.

SEC. 2. Article 6 (commencing with Section 128560) is added to Chapter 5 of Part 3 of Division 107 of the Health and Safety Code, to read:

Article 6. Steven M. Thompson Medical School Scholarship Program

128560. (a) There is hereby established within the Health Professions Education Foundation, the Steven M. Thompson Medical School Scholarship Program.

1 (b) *It is the intent of this article that the foundation and the*
2 *office provide the ongoing program management for the program.*

3 (c) *For the purposes of this article, the foundation shall consult*
4 *with the committee established pursuant to subdivision (b) of*
5 *Section 128551.*

6 128565. *For purposes of this article, the following definitions*
7 *shall apply:*

8 (a) *“Account” means the Steven M. Thompson Medical School*
9 *Scholarship Account established within the Health Professions*
10 *Education Fund pursuant to this article.*

11 (b) *“Foundation” means the Health Professions Education*
12 *Foundation.*

13 (c) *“Medi-Cal threshold languages” means primary languages*
14 *spoken by limited-English-proficient (LEP) population groups*
15 *meeting a numeric threshold of 3,000 LEP individuals eligible for*
16 *Medi-Cal residing in a county, 1,000 LEP individuals eligible for*
17 *Medi-Cal residing in a single ZIP Code, or 1,500 LEP individuals*
18 *eligible for Medi-Cal residing in two contiguous ZIP Codes.*

19 (d) *“Medically underserved area” means an area defined as a*
20 *health professional shortage area in Part 5 (commencing with*
21 *Sec. 5.1) of Subchapter A of Chapter 1 of Title 42 of the Code of*
22 *Federal Regulations or an area of the state where unmet priority*
23 *needs for physicians exist as determined by the California*
24 *Healthcare Workforce Policy Commission pursuant to Section*
25 *128225.*

26 (e) *“Medically underserved population” means the persons*
27 *served by the Medi-Cal program, the Healthy Families Program,*
28 *and uninsured populations.*

29 (f) *“Office” means the Office of Statewide Health Planning and*
30 *Development (OSHPD).*

31 (g) *“Practice setting” means either of the following:*

32 (1) *A community clinic as defined in subdivision (a) of Section*
33 *1204 and subdivision (c) of Section 1206, a clinic owned or*
34 *operated by a public hospital and health system, or a clinic owned*
35 *and operated by a hospital that maintains the primary contract*
36 *with a county government to fulfill the county’s role pursuant to*
37 *Section 17000 of the Welfare and Institutions Code, each of which*
38 *is located in a medically underserved area and at least 50 percent*
39 *of whose patients are from a medically underserved population.*

1 (2) *A medical practice located in a medically underserved area*
2 *and at least 50 percent of whose patients are from a medically*
3 *underserved population.*

4 (h) *“Primary specialty” means family practice, internal*
5 *medicine, pediatrics, or obstetrics/gynecology.*

6 (i) *“Program” means the Steven M. Thompson Medical School*
7 *Scholarship Program.*

8 (j) *“Selection committee” means the advisory committee of not*
9 *more than seven members established pursuant to subdivision (b)*
10 *of Section 128551.*

11 (k) *“Super-medically underserved area” means an area defined*
12 *as medically underserved pursuant to subdivision (d) that also*
13 *meets a heightened criteria of physician shortage as determined*
14 *by the foundation.*

15 128570. (a) *Persons participating in the program shall be*
16 *persons who agree in writing prior to entering an accredited*
17 *medical or osteopathic school to serve in an eligible practice*
18 *setting, pursuant to subdivision (g) of Section 128565, for at least*
19 *three years. The program shall be used only for the purpose of*
20 *promoting the education of medical doctors and doctors of*
21 *osteopathy and related administrative costs.*

22 (b) *A program participant shall commit to three years of*
23 *full-time professional practice once the participant has achieved*
24 *full licensure pursuant to Article 4 (commencing with Section*
25 *2080) of Chapter 5 or Section 2099.5 of the Business and*
26 *Professions Code and after completing an accredited residency*
27 *program. The obligated professional service shall be in direct*
28 *patient care in an eligible practice setting pursuant to subdivision*
29 *(g) of Section 128565.*

30 (1) *Leaves of absence shall be permitted for serious illness,*
31 *pregnancy, or other natural causes. The selection committee shall*
32 *develop the process for determining the maximum permissible*
33 *length of an absence and the process for reinstatement. Awarding*
34 *of scholarship funds shall be deferred until the participant is back*
35 *to full-time status.*

36 (2) *Full-time status shall be defined by the selection committee.*
37 *The selection committee may establish exemptions from this*
38 *requirement on a case-by-case basis.*

39 (c) *The maximum allowable amount per total scholarship shall*
40 *be one hundred five thousand dollars (\$105,000). These moneys*

1 shall be distributed over the course of a standard medical school
2 curriculum. The distribution of funds shall increase over the course
3 of medical school, increasing to ensure that at least 45 percent of
4 the total scholarship award is distributed upon matriculation in
5 the final year of school.

6 (d) In the event the program participant does not complete the
7 minimum three years of professional service pursuant to the
8 contractual agreement between the foundation and the participant,
9 the office shall recover the funds awarded plus the maximum
10 allowable interest for failure to begin or complete the service
11 obligation.

12 128575. (a) The selection committee shall use guidelines that
13 meet all of the following criteria to select scholarship recipients:

14 (1) Provide priority consideration to applicants who are best
15 suited to meet the cultural and linguistic needs and demands of
16 patients from medically underserved populations and who meet
17 one or more of the following criteria:

18 (A) Speak a Medi-Cal threshold language.

19 (B) Come from an economically disadvantaged background.

20 (C) Have experience working in medically underserved areas
21 or with medically underserved populations.

22 (2) Give preference to applicants who have committed to
23 practicing in a primary specialty.

24 (3) Give preference to applicants who will serve in a practice
25 setting in a super-medically underserved area.

26 (4) Include a factor ensuring geographic distribution of
27 placements.

28 (b) The selection committee may award up to 20 percent of the
29 available scholarships to program applicants who will practice
30 specialties outside of a primary specialty.

31 (c) The foundation, in consultation with the selection committee,
32 shall develop a process for outreach to potentially eligible
33 applicants.

34 128580. (a) The Steven M. Thompson Medical School
35 Scholarship Account is hereby established within the Health
36 Professions Education Fund. The primary purpose of this account
37 is to provide funding for the ongoing operations of the program
38 provided for under this article. This account shall receive money
39 from the Managed Care Administrative Fines and Penalties Fund
40 pursuant to Section 1341.45.

1 ***(b) Funds in the account shall be used to fund scholarships***
2 ***pursuant to agreements made with recipients and as follows:***

3 ***(1) Scholarships shall not exceed one hundred five thousand***
4 ***(\$105,000) per recipient.***

5 ***(2) Scholarships shall not exceed the amount of the educational***
6 ***expenses incurred by the recipient.***

7 ***(c) Effective January 1, 2014, the foundation may seek and***
8 ***receive matching funds from foundations and private sources to***
9 ***be placed in the account. "Matching funds" shall not be construed***
10 ***to be limited to a dollar-for-dollar match of funds.***

11 ***(d) Funds placed in the account for purposes of this article,***
12 ***including, but not limited to, funds received pursuant to subdivision***
13 ***(c) shall, upon appropriation by the Legislature, be used for the***
14 ***purposes of this article.***

15 ***(e) The account shall be used to pay for the cost of administering***
16 ***the program, not to exceed 5 percent of the total appropriation***
17 ***for the program.***

18 ***(f) The office and the foundation shall manage the account***
19 ***established by this section prudently in accordance with other***
20 ***provisions of law.***

21 **SECTION 1. ~~Section 128555 of the Health and Safety Code~~**
22 **~~is amended to read:~~**

23 ~~128555.—(a) The Medically Underserved Account for~~
24 ~~Physicians is hereby established within the Health Professions~~
25 ~~Education Fund. The primary purpose of this account is to provide~~
26 ~~funding for the ongoing operations of the Steven M. Thompson~~
27 ~~Physician Corps Loan Repayment Program provided for under~~
28 ~~this article. This account also may be used to provide funding for~~
29 ~~the Physician Volunteer Program provided for under this article.~~

30 ~~(b) All moneys in the Medically Underserved Account contained~~
31 ~~within the Contingent Fund of the Medical Board of California~~
32 ~~shall be transferred to the Medically Underserved Account for~~
33 ~~Physicians on July 1, 2006.~~

34 ~~(c) Funds in the account shall be used to repay loans as follows~~
35 ~~per agreements made with physicians:~~

36 ~~(1) Funds paid out for loan repayment may have a funding match~~
37 ~~from foundations or other private sources.~~

38 ~~(2) Loan repayments may not exceed _____ dollars (\$____)~~
39 ~~per individual licensed physician.~~

1 ~~(3) Loan repayments may not exceed the amount of the~~
2 ~~educational loans incurred by the physician participant.~~

3 ~~(d) Effective January 1, 2006, the foundation may seek and~~
4 ~~receive matching funds from foundations and private sources to~~
5 ~~be placed in the account. "Matching funds" shall not be construed~~
6 ~~to be limited to a dollar-for-dollar match of funds.~~

7 ~~(e) Funds placed in the account for purposes of this article,~~
8 ~~including funds received pursuant to subdivision (d), are,~~
9 ~~notwithstanding Section 13340 of the Government Code,~~
10 ~~continuously appropriated for the repayment of loans. This~~
11 ~~subdivision shall not apply to funds placed in the account pursuant~~
12 ~~to Section 1341.45.~~

13 ~~(f) The account shall also be used to pay for the cost of~~
14 ~~administering the program and for any other purpose authorized~~
15 ~~by this article. The costs for administration of the program may~~
16 ~~be up to 5 percent of the total state appropriation for the program~~
17 ~~and shall be subject to review and approval annually through the~~
18 ~~state budget process. This limitation shall only apply to the state~~
19 ~~appropriation for the program.~~

20 ~~(g) The office and the foundation shall manage the account~~
21 ~~established by this section prudently in accordance with the other~~
22 ~~provisions of law.~~